

IRS TAX TIPS FOR 2006

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WHAT'S NEW FOR 2005?

The following changes are discussed in more detail in Publication 17, *Your Federal Income Tax For Individuals* and on the IRS website, www.irs.gov.

New Automatic Six-Month Filing Extension Available. Taxpayers who are unable to meet the regular tax-filing deadline can request an automatic six-month extension, without a reason or even a signature. In the past, automatic extensions for individual taxpayers were only available for four months. A tax-filing extension does not extend the tax-payment deadline. See Form 4868 and its instructions for more information.

Exemptions. The amount you can deduct for each exemption has increased from \$3,100 in 2004 to \$3,200 in 2005. You lose all or part of the benefit of your exemptions if your adjusted gross income is above a certain amount. The amount at which the phase-out begins depends on your filing status.

Hurricane Tax relief. Information for Taxpayers Affected by Hurricanes Katrina, Rita, and Wilma, is provided in new IRS Publication 4492. Publication 4492 will cover the provisions in both the "Katrina Emergency Tax Relief Act of 2005" and the "Gulf Opportunity Zone Act of 2005."

Retirement Savings Plans. Traditional IRA income limits. If you have a traditional individual retirement account (IRA) and are covered by a retirement plan at work, the amount of income you can have and not be affected by the deduction phaseout increases. The amounts vary depending on filing status. IRA deduction expanded. The amount you, and your spouse if filing jointly, may be able to deduct as an IRA contribution will increase to \$4,000 (\$4,500 if age 50 or older at the end of 2005).

Charitable Contributions of Vehicles. If you donate a vehicle (including a boat or aircraft) to a qualified organization after December 31, 2004, your deduction is limited to the gross proceeds from its sale by the organization. This applies if the claimed value of the donated vehicle is more than \$500. If the claimed value of the car is more than \$500, you must have a written acknowledgement of your donation from the organization and must attach it to your return. If you do not have an acknowledgement, you cannot deduct your contribution.

New Uniform Definition of a Qualifying Child. Beginning in 2005, one definition of a qualifying child will apply for each of the following tax benefits: Dependency exemption, Head of household filing status, Earned income credit (EIC), Child tax credit, Credit for child and dependent care expenses. Tests To Meet. In general, all of the following tests must be met to claim someone as a qualifying child. Relationship test, Residency test, Age test, A child must be under a certain age (depending on the tax benefit) to be your qualifying child.

ELECTRONIC FILING

The IRS *e-file* program offers, accurate, safe, and fast alternatives to filing on paper. These alternatives include filing through a tax professional, a personal computer, or over the telephone (TeleFile). Electronic payment options are also available.

What are the benefits?

- *Free Internet Filing!* Access commercial e-file services available at no cost to eligible taxpayers.
- *Fast Refunds!* You get your refund in half the time, even faster and safer with Direct Deposit. Direct Deposit is a fast, simple, safe, secure way to have your Federal income tax refund deposited automatically into your checking or savings account.
- *Security!* Your privacy and security are assured.
- *Electronic Signatures!* Create your own personal identification number (PIN) and file a completely paperless return through your tax preparation software or tax professional. There is nothing to mail!
- *Accuracy!* Your chance of getting an error notice from the IRS is significantly reduced.
- *Proof of Acceptance!* You receive an electronic acknowledgement within 48 hours, which confirms the IRS has accepted your return for processing.
- Electronic payment options are convenient, safe and secure methods for paying income taxes. If you have a balance due, you can e-file and pay in a single step by authorizing an electronic funds withdrawal from your bank account. Another option is to pay by credit card. The Electronic Federal Tax Payment System (EFTPS) offers a third option for paying federal taxes. Through EFTPS, you can schedule recurring payments for withdrawal from your bank account.
- *Federal/State e-file!* Prepare and file your Federal and state returns together and double the benefits you get from IRS *e-file*. For more e-file information, visit our web site at <http://www.irs.gov>.

TAX ASSISTANCE

The Internal Revenue Service (IRS) provides tax assistance through their regional office located at the US Embassy in Paris, France. Tax assistance can also be obtained by contacting the large International Customer Service Site in Philadelphia at: 215-516-2000. Visit the IRS on the web at: www.irs.gov. The IRS office at the US Embassy in Paris has a homepage custom-tailored to meet the needs of Americans residing outside of the USA. Go to: <http://france.usembassy.gov>

PARIS

Phone: **33-1-4312-2555** 9:00-12:00 & 1:30-3:30 Mon.-Fri.
Fax: **33-1-4312-4752**
e-mail: irs.paris@irs.gov

Walk-In Visitors: **US Consulate** 9:00-12:00 Mon.-Fri.
2, rue St Florentin
Paris (Metro: Concorde)

Correspondence: **US Embassy**
IRS Room E-414
2, Avenue Gabriel
75382 Paris Cedex 08
France

PHILADELPHIA

Phone: **215-516-2000** (not toll free) 6:00AM-2:00AM ET
Fax: **215-516-2555**
Email: <http://www.irs.gov/help/page/0,,id=133197,00.html>

Taxpayer Advocate Service (<http://www.irs.gov/advocate>)

(If you have an ongoing issue with the IRS that has not been resolved through normal processes, or you have suffered, or are about to suffer a significant hardship as a result of the application of the tax laws)

Taxpayer Advocate, San Patricio Office Building, Rm 200, 7 Tabonuco St.,
Guaynabo, P.R. 00966 Tel: 787-622-8940, Fax: 787-622-8933

For more information visit us online at: www.irs.gov

FILING REQUIREMENTS

If you are a U.S. citizen or resident alien, the rules for filing income, estate, and gift tax returns and for paying estimated tax are generally the same whether you are in the United States or abroad. Your income, filing status and age determine whether you are required to file a return. Generally, you must file a return if your gross worldwide income for 2005 is at least the amount shown for your filing status shown in the following table:

FILING STATUS	AMOUNT
Single	\$8,200
65 or older	\$ 9,450
Head of Household	\$ 10,500
65 or older	\$11,750
Qualifying Widow(er)	\$13,200
65 or older	\$14,200
Married filing jointly	\$16,400
1 spouse 65 or older	\$17,400
Both spouses 65 or older	\$18,400
Married filing separately (any age)	\$ 3,200

For more information visit us online at: www.irs.gov

YOUR TAXPAYER IDENTIFICATION NUMBER

If you are not eligible to get a Social Security number but need to file a tax return, you will have to apply for an Individual Taxpayer Identification Number (ITIN). Apply by filling out [Form W-7](#), Application for an IRS Individual Taxpayer Identification Number. Get Form W-7 at www.irs.gov or at <http://france.usembassy.gov>

An ITIN number is issued by the IRS and begins with the number "9." It may look like a Social Security number, but an ITIN is used only for federal income tax purposes and has no effect on your work or immigration status in the U.S.

Each person who files a federal tax return or is listed as a spouse or dependent must have a valid SSN or ITIN. This will ensure prompt processing and issuances of any refund. Exemptions claimed for spouse or dependents will be denied if valid Tax Identification numbers are not provided.

For more information about ITINs, check out [Publication 1915](#), *Understanding Your IRS Individual Taxpayer Identification Number*, or download Form W-7. The publication and form are also available by calling 1-800-TAX-FORM (1-800-829-3676) or 215-516-2000 in the United States.

Also visit us online at: www.irs.gov

EXTENSION REMINDER

New Automatic Six-Month Filing Extension Available. Taxpayers who are unable to meet the regular tax-filing deadline can request an automatic six-month extension, without a reason or even a signature. In the past, automatic extensions for individual taxpayers were only available for four months. A tax-filing extension does not extend the tax-payment deadline. See Form 4868 and its instructions for more information. Form 2688 has been discontinued.

If you are a US citizen or resident and your tax home is outside the USA on April 17, you are automatically granted a 2-month extension to file your taxes. If you file on a calendar year basis, this means you have until June 15, 2006 to file your 2005 income tax return. However, any tax due and paid after April 17, 2006 will be subject to an interest rate of 5% per annum. None of the IRS dates for filing returns or paying taxes are extended due to foreign holidays.

If your tax home is in a foreign country, and you need more time to qualify for “bona fide residence test” or “physical presence test” (Form 2555), you should file extension Form 2350 by the due date of your return, generally June 15th for overseas taxpayers. **For more information visit us online at: www.irs.gov or paste the following link into your internet browser:**
<http://www.irs.gov/formspubs/article/0,,id=98155,00.html>

EDUCATION INCENTIVES

There are two education tax credits available, the Hope Credit and the Lifetime Learning Credit. The credits are based on education expenses paid for you, your spouse, or your dependents. During any particular year, you can claim only one of the credits for each student. The amount of the credit is determined by the amount you pay for "qualified tuition and related expenses" for each student and the amount of your modified adjusted gross income (modified AGI).

Expenses that qualify are tuition and fees required for enrollment or attendance at an accredited college, university, vocational school, or other post-secondary educational institution that is eligible to participate in a student aid program administered by the Department of Education. Qualified expenses do not include room and board, insurance, transportation, or other similar personal, living, or family expenses. Qualified expenses may include fees for books, supplies, and equipment only if the fees must be paid to the school for the student's enrollment or attendance. In addition, qualified expenses may include student activity fees if the fee must be paid to the school for the student's enrollment or attendance.

Both the Hope Credit and Lifetime Learning Credit may be reduced, or eliminated, if your modified adjusted gross income exceeds certain limits, based on your filing status. You cannot claim either credit if you are married filing a separate return.

For additional information on education credits, refer to [Publication 970](#), *Tax Benefits for Education*

Visit IRS online at: www.irs.gov

CAPTIAL GAINS AND LOSSES

Almost everything you own and use for personal or investment purposes is a capital asset. Examples are your home, household furnishings, and stocks or bonds held in your personal account. When you sell a capital asset, the difference between the amount you sell it for and your basis, which is usually what you paid for it, is a capital gain or a capital loss. You have a capital gain if you sell the asset for more than your basis. You have a capital loss if you sell the asset for less than your basis. Losses from the sale of personal-use property, such as your home or car, are not deductible. Capital gains and losses are classified as long-term or short-term. If you hold the asset for more than one year before you dispose of it, your capital gain or loss is long term. If you hold it one year or less, your capital gain or loss is short term.

You may have to report capital gains and losses on [Form 1040, Schedule D](#). If you have a net capital gain, that gain may be taxed at a lower tax rate. The term "net capital gain" means the amount by which your net long-term capital gain for the year is more than your net short-term capital loss. The highest tax rate on a net capital gain is generally 15% (or 5%, if it would otherwise be taxed at 15% or less).

If your capital losses exceed your capital gains, the amount of the excess loss that can be claimed is limited to \$3,000, or \$1,500 if you are married filing separately. If your net capital loss is more than this limit, you can carry the loss forward to later years. Additional information on capital gains and losses can be found in Publications 550, *Investment Income and Expenses*, and [Publication 544](#), *Sales and Other Dispositions of Assets*. If you sell your main home, refer to Topics [701](#) and [703](#), or to [Publication 523](#), *Selling Your Home*.

Note: Foreign income. If you are a U.S. citizen who sells property located outside the United States, you must report all gains and losses from the sale of that property on your tax return unless it is exempt by U.S. law. This is true whether you reside inside or outside the United States and whether or not you receive a Form 1099 from the payer.

Visit us online at: www.irs.gov

CHILD TAX CREDIT & ADDITIONAL CHILD TAX CREDIT

For 2005, the child tax credit stands at \$1000 for each qualifying child. For the additional child tax credit, the credit limit based on earned income is increased to 15% of your earned income that exceeds \$10,750. If you were a member of the U.S. Armed Forces who served in a combat zone, your nontaxable combat pay counts as earned income when figuring this credit limit. See Form 8812 for details.

Qualifying Child. A qualifying child for purposes of the child tax credit must be all of the following. 1) Under age 17 at the end of 2004. 2) A citizen or resident of the United States. 3) Claimed as your dependent. 4) Your: a) Son, daughter, stepson, or stepdaughter, b) Brother, sister, stepbrother, or stepsister (or his or her child or grandchild) if you care for the individual as you would your own child, c) Adopted child, d) Grandchild, or e) Eligible foster child.

Note: You must reduce your child tax credit if your modified adjusted gross income (AGI) is above \$110,000 for joint filers, \$55,000 for married taxpayers filing separately, and \$75,000 for single or head of household taxpayers.

See IRS Publication 972, *Child Tax Credit*

Visit us online at: www.irs.gov

PAYMENTS & POSTMARKS

If you owe money on your 2005 tax return, you can pay by check, money order, or credit card. Make your check or money order payable in US Dollars to the: "United States Treasury" for the full amount due. Do not send cash. Write: "2005 Form 1040" and your name, daytime phone number, and social security number (SSN) on your payment. You may now use your credit card to make all of the following type payments: (a) tax on Forms 1040, 1040A, 1040EZ; (b) estimated tax payments (Form 1040-ES); (c) tax you estimate as due on Form 4868; (d) installment agreement payments (for tax years 1999 and later); and (e) any balance due shown on an individual income tax return notice!

Payment by Credit Card. You can also e-file and e-pay your taxes in a single step by authorizing a credit card payment. All major credit cards are accepted: American Express, Discover Card, MasterCard card, or Visa card. This option is available through some tax preparation software and tax professionals. Two other ways to pay by credit card are by telephone or Internet. For more information or to make a payment, you may contact the following service providers.

Official Payments Corporation 1-800-2PAY-TAX 1-877-754-4413 (Customer Service) www.officialpayments.com	Link2GovCorporation 1-888-PAY-1040 1-888-658-5465 (Cust. Serv.) www.PAY1040.com
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Foreign Postmarks. Federal tax returns, claims for refund and other documents mailed to the Internal Revenue Service are treated as filed on the date of the postmark, including foreign postmarks. However, payments mailed from outside the US are not provided the same treatment. **Payments with foreign postmarks are not considered received until the date of the actual receipt rather than the postmark date.** This includes payments submitted with tax returns. You should take this into consideration when mailing a payment to IRS from outside the US, in order to avoid late payment penalty and interest charges.

For more details, visit the IRS home page at: www.irs.gov or click on the following link: <http://www.irs.gov/efile/article/0,,id=101316,00.html>

DIRECT DEPOSIT OF REFUND

Want a faster refund? More and more taxpayers are choosing direct deposit as the way to get their federal tax refunds. The payment is more secure — there is no check to get lost. And, it's more convenient — no special trip to the bank to deposit a check. To request direct deposit, follow the instructions for "Refund" on your tax return.

Want an even faster refund? Try e-file. Taxpayers who file electronically get their refunds in about half the time as those who file paper returns.

A word of caution — some financial institutions do not allow a joint refund to be deposited into an individual account. Check with your bank or other financial institution to make sure your direct deposit will be accepted. Also, make sure you have the correct nine digit routing number and your correct account number when selecting direct deposit.

For more information about direct deposit of your tax refund, check the instructions for your tax form. This and other helpful tips are available in IRS Publication 17, Your Federal Income Tax. Download a copy or call toll free 1-800-TAX-FORM (1-800-829-3676) to order your free copy.

Links:

- [E-file](#)

For more information visit us online at: www.irs.gov

FOREIGN EARNED INCOME EXCLUSION & FOREIGN TAX CREDIT

If you have a tax home in a foreign country and you meet either the bona fide residence test or the physical presence test, you may be able to claim the foreign earned income exclusion up to **\$80,000 in 2005**, and claim the housing exclusion or deduction. Use Form 2555-EZ if you do not have self-employment income, you do not claim the housing exclusion and the totality of your foreign earned income is reported on Form 1040 line 7. The exclusion is entered as a subtraction on line 21 (other income) using parentheses or angled brackets. US Government employees do not qualify for the foreign earned income exclusion or the housing deduction.

If you paid or accrued foreign income taxes during the year, you generally can choose to claim these taxes as a credit against your U.S. income tax or you can deduct them as an itemized deduction. To claim the foreign tax credit, use Form 1116. However, if your only foreign source income is passive (interest, dividends, etc.) and is reported to you on a payee statement issued by a U.S. financial statement, you may be able to claim a credit of up to \$300 (\$600 if married filing jointly) without using Form 1116.

See IRS Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*, and Publication 514, *Foreign Tax Credit for Individuals*, for further information. Visit us online at: www.irs.gov

ESTIMATED TAX FOR INDIVIDUALS

Estimated tax is the method used to pay tax on income that is not subject to withholding (for example, earnings from self-employment, interest, dividends, rents, alimony, etc.). In addition, unless you have elected voluntary withholding, you should make estimated tax payments on the taxable portion of your U.S. social security benefits. In most cases, you must make estimated tax payments if you expect to owe at least \$1,000 in tax for 2005 (after subtracting your withholdings and credits) and you expect your withholdings and credits to be less than the **smaller** of:

1. 90% of the tax shown on your 2006 tax return, or
2. The tax shown on your 2005 tax return (110% of that amount if you are not a farmer or fisherman and the adjusted gross income shown on that tax return is more than \$150,000; more than \$75,000 if married filing separately for 2006).

Exception. You do not have to pay estimated tax if you were a U.S. citizen or resident alien for all of 2005 and you had no tax liability for the full 12-month 2005 tax year. For further information or to pay any estimated tax for 2006, get IRS Form 1040-ES. **For more information visit us online at: www.irs.gov or click on: <http://www.irs.gov/pub/irs-pdf/f1040es.pdf>**

IRAS & RETIREMENT PLANS

Retirement Savings Plans. Traditional IRA income limits. If you have a traditional individual retirement account (IRA) and are covered by a retirement plan at work, the amount of income you can have and not be affected by the deduction phaseout increases. The amounts vary depending on filing status. IRA deduction expanded. The amount you, and your spouse if filing jointly, may be able to deduct as an IRA contribution will increase to \$4,000 (\$4,500 if age 50 or older at the end of 2005).

For more complete information see IRS Publication 590, *Individual Retirement Arrangements*. Visit us online at: www.irs.gov

WHERE'S MY REFUND?

You filed your tax return and you're expecting a refund. You have just one question and you want the answer now - Where's My Refund? Access this secure Web site to find out if the IRS received your return and whether your refund was processed and sent to you.

New program enhancements allow you to begin a refund trace online if you have not received your check within 28 days from the original IRS mailing date. Some of you will also be able to correct or change your mailing address within this application if your check was returned to us as undelivered by the U.S. Postal Service. "Where's My Refund?" will prompt you when these features are available for your situation. To get to your refund status, you'll need to provide the following information as shown on your return:

Your Social Security Number (or IRS Individual Taxpayer Identification Number)
Your Filing Status, (Single, Married Filing Joint Return, Married Filing Separate Return, Head of Household, or Qualifying Widow(er))
The Refund amount (It is important to enter the refund amount exactly as it is shown on your return in order for our computer system to retrieve your data)

For more information visit us online at: www.irs.gov or paste this link into your internet browser:

<https://sa.www4.irs.gov/irfof/lang/en/irfofgetstatus.jsp>

IRS NOTICES

If you receive an IRS notice that you believe is incorrect, you should respond as soon as possible, by calling the telephone number identified on the notice or by writing to the IRS office that sent you the bill. You may also call the IRS Customer Service Center in Philadelphia at: (215) 516-2000. Alternatively, you may phone the IRS Office in Paris at 33-1-4312-2555 between the hours of 9 AM to 12 Noon and 1:30 to 3:30 PM, Monday through Friday. IRS Publication 594, *The Collection Process*, contains guidance on how to respond to IRS notices.

In your response, explain why you think the notice is incorrect and include with your correspondence a copy of the IRS notice and copies of any records, canceled checks, etc., that you think will help IRS understand the problem.

If you need more time to gather information, contact the IRS immediately to ask for additional time. If the IRS finds that you are correct, it will adjust your account accordingly.

For more information visit us online at: www.irs.gov or paste this link into your internet browser:

<http://www.irs.gov/individuals/article/0,,id=96199,00.html>

RENTAL INCOME AND EXPENSES

You must include in income all amounts you receive as rent. Rental income and expenses are entered on Schedule E and net rental income or loss is then carried to the income section of Form 1040. If, after beginning to rent your property, you sometimes use the property for personal purposes, you must divide your expenses between rental and personal use. If you change your main home to rental use at any time other than at the beginning of your tax year, you must also divide or prorate yearly expenses such as depreciation, taxes, insurance, and mortgage interest between rental use and personal use. You can deduct the cost of repairs to your rental property. You cannot deduct the cost of capital improvements. These costs are recovered by taking depreciation deductions spread out over a number of years. Rental losses are subject to various limits under the passive activity and at-risk rules. Excess or undeducted loss is carried forward to the following tax year. Sale of a rental property does not qualify for the preferential tax treatment given the sale of a main home.

For more information about how to report rental income and expenses, refer to IRS Publication 527 at: <http://www.irs.gov/pub/irs-pdf/p527.pdf>. For Information on how to figure and report any gain or loss from the sale of your rental property, see Publication 544 at: <http://www.irs.gov/pub/irs-pdf/p544.pdf>. For further information, visit us online at: www.irs.gov or paste these links into your internet browser: <http://www.irs.gov/businesses/small/industries/article/0,,id=98895,00.html> or: <http://www.irs.gov/publications/p527/ar01.html>

IRS LATE CHARGES

If you do not file your tax return and pay your tax by the due date, you may have to pay a penalty. You may also have to pay a penalty if you substantially understate your tax, file a frivolous return, or fail to supply your social security number or other required tax identification number. If you provide fraudulent information on your tax return, you may have to pay a civil fraud penalty.

The IRS recognizes many people drop out of the system because of personal problems, including serious illness, a death in the family, or loss of financial records in a natural disaster. Depending on the situation, informing the IRS why returns have not been filed could result in a waiver of penalties.

Filing late. If you do not file your return by the due date (including extensions), you may have to pay a **late filing** penalty. The penalty is usually 5% of the unpaid tax for each month or part of a month that the return is late, but not more than 25%. If you file your return more than 60 days after the due date or extended due date, the minimum penalty is the smaller of \$100 or 100% of the unpaid tax.

Paying tax late. You will have to pay a **late payment** penalty of $\frac{1}{2}$ of 1% (.50%) of your unpaid taxes for each month, or part of a month, after the due date that the tax is not paid.

If both the failure-to-file penalty and the failure-to-pay penalty apply in any month, the total monthly penalty is 5% of the unpaid tax. Interest is charged on tax you do not pay by the original due date of your return. Interest is charged even if you get an extension of time for filing. Interest is also charged on penalties. Interest accrues from the date the payment was due (determined without regard to any extensions of time) until it is received by the IRS. The interest rate for the calendar quarter beginning January 1, 2006 is 5% for underpayments. For more information on IRS interest rates just paste this link into your internet browser and click on it: <http://www.irs.gov/newsroom/article/0,,id=131772,00.html>

For more information visit us online at: www.irs.gov or also at: <http://www.irs.gov/businesses/small/article/0,,id=108330,00.html>

ESTATE AND GIFT TAX

If you give someone money or property during your life, you may be subject to federal gift tax. The money and property you own when you die (your estate) may be subject to federal estate tax. This is in addition to the individual income tax return requirement. The first \$11,000 you give someone during a calendar year (annual exclusion) is not taxable. Gross estates of not more than \$1,500,000 (2004 and 2005) or \$2,000,000 (2006, 2007, and 2008) or \$3,500,000 (2009) are not taxable. The following table lists the filing requirement for the estate of a decedent dying after 2003.

Year	For Gift Tax Purposes:		For Estate Tax Purposes:	
	Unified Credit	Applicable Exclusion Amount	Unified Credit	Applicable Exclusion Amount
2004 and 2005	345,800	1,000,000	555,800	1,500,000
2006, 2007, and 2008	345,800	1,000,000	780,800	2,000,000
2009	345,800	1,000,000	1,455,800	3,500,000

Click on the following links (or paste them into your internet browser) to obtain further information:

<http://www.irs.gov/businesses/small/article/0,,id=98968,00.html> (Estate and Gift Taxes)

<http://www.irs.gov/publications/p950/ar01.html#d0e16> (Publication 950 – Introductory Material)

<http://www.irs.gov/pub/irs-pdf/p950.pdf> (IRS Publication 950, Introduction to Estate and Gift Taxes)

For further information get IRS Publication 950, Form 706, United States Estate Tax Return, and Form 709, United States Gift Tax Return, or visit us online at: www.irs.gov

INSTALLMENT AGREEMENTS

This agreement allows you to pay your full debt in smaller, more manageable amounts. Installment agreements generally require equal monthly payments. The amount of your installment payments and the number you make will be based on the amount you owe and your ability to pay that amount within the time we can legally collect payment from you. You should be aware, however, that an installment agreement is more costly than paying all the taxes you owe now. As with most revolving credit arrangements, we charge interest and penalties on the unpaid portion of the debt. Another cost associated with an installment agreement is a user fee. This is a one-time fee (currently \$43) we charge to set up the agreement. If you don't meet the terms of the agreement throughout the life of the agreement, we charge an additional fee of \$24 to reinstate it.

If you want to pay off your tax debt through an installment agreement, call the number shown on your bill. If you owe:

- \$25,000 or less in tax, we'll tell you what you need to do to set up the agreement
- More than \$25,000, we may still be able to set up an installment agreement for you, but we may also ask for financial information to help us determine your ability to pay

Even if you set up an installment agreement, we may still file a Notice of Federal Tax Lien to secure the government's interest until you make your final payment.

Note: We can't take any collection actions affecting your property while we consider your request for an installment agreement, while your agreement is in effect, for 30 days after we reject your request for an agreement or for any period while you appeal the rejection. If you arrange for an installment agreement, you can pay with:

- Personal or business checks, money orders, or certified funds (all made payable to the U.S. Treasury)
- Payroll deductions your employer takes from your salary and regularly sends to IRS
- Electronic transfers from your bank account or other similar means

For more information visit us online at: www.irs.gov

FOREIGN BANK ACCOUNTS

Each United States citizen or resident of the United States who has a financial interest in or signature authority, or other authority over any financial accounts, including bank, securities, or other types of financial accounts in a foreign country, if the aggregate value of these financial accounts exceeds \$10,000 at any time during the calendar year, must report that relationship each calendar year by filing **Form TD F 90-22.1, the Report of Foreign Bank and Financial Accounts**, with the Department of the Treasury. You should also check the appropriate box on Part III of Schedule B of your Form 1040. You do not have to file the report if the assets are with a U.S. military banking facility operated by a U.S. financial institution or if the combined assets in the account(s) are \$10,000 or less during the entire year. Note: this is **not** a taxable return form, and should **not** be attached to your Form 1040. Form TD F 90-22.1 must be filed by June 30 each year for the preceding calendar year. File this form with: U.S. Department of the Treasury, P.O. Box 32621, Detroit, MI 48232-0621 **For more information visit us online at: www.irs.gov or click on: <http://www.fincen.gov/f9022-1.pdf> or: <http://www.irs.gov/pub/irs-pdf/f9022-1.pdf>**

THE TAXPAYER ADVOCATE SERVICE

If you have tried to resolve a problem with IRS, but have been unable to get it resolved, you should contact the Taxpayer Advocate. The Taxpayer Advocate represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While the Taxpayer Advocate cannot change the tax law or make a technical tax decision, he/she can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact the Taxpayer Advocate, you can call (787) 622-8940 for English or (787) 622-8930 for Spanish, or (787) 622-8933 for fax, all in the United States. Note: These are not toll-free numbers!

You can also write to the Taxpayer Advocate at:

Internal Revenue Service
Attn: Taxpayer Advocate Service
San Patricio Office Building Rm. 200
7 Tabonuco St.
Guaynabo, P.R. 00966
USA

For further information about the Taxpayer Advocate Service click on the following link to IRS Publication 1546 (or paste it into your internet browser): <http://www.irs.gov/pub/irs-pdf/p1546.pdf> . For a complete overview you can also go to: <http://www.irs.gov/advocate>

For more information visit us online at: www.irs.gov

RECORDS RETENTION / COPIES OF RETURNS

Once your tax return is prepared, you should keep all receipts, canceled checks or other proof of payment and other records to support deductions or credits you claim on your return. The length of time you should keep these records can vary. Keep items that support an item of income or deduction appearing on a return until the statute of limitations for the return runs out. For assessment of tax, this is 3 years from the date you filed the return (unless fraud or substantial underreporting of income is involved). For filing a claim for credit or refund, this generally is 3 years from the date you filed the original return, or 2 years from the date you paid the tax, whichever is later. Returns filed before the due date are treated as filed on the due date. Records relating to the basis in property should be retained until after you dispose of the property and report any gain or loss.

To request copies of income tax returns and W-2 information for the 3 prior years, you should file Form 4506. There is no cost to obtain the tax return transcripts. However, to obtain copies of the actual tax forms and attachments, there is a \$39 charge for each period requested. To access Form 4506 or Publication 552, click on the following links or paste them into your browser:

<http://www.irs.gov/pub/irs-pdf/f4506.pdf> (Form 4506)

<http://www.irs.gov/pub/irs-pdf/p552.pdf> (Publication 552)

<http://www.irs.gov/govt/tribes/article/0,,id=134973,00.html> (overview)

For more information on recordkeeping, see IRS Publication 552, *Recordkeeping for Individuals*, or visit us online at: www.irs.gov